

STATE BOARD OF FINANCE

October 11, 2011

Summary Minutes

Location:

Via Video conference at the following locations:

Guinn Room
101 N. Carson Street
Carson City, NV 89701

Dept. of Personnel's Conference Room
555 E Washington Avenue, Suite 1400
Las Vegas, NV 89101

Governor Sandoval calls the meeting to order.

Board members present:

Governor Brian Sandoval- Carson City
Treasurer Kate Marshall- Carson City
Controller Kim Wallin- phone
Steve Martin- Las Vegas
Dave Funk- Carson City

Governor Sandoval: We have Agenda items 1-7; Ms. Chatwood, please begin with agenda item 1.

Lori Chatwood: Thank you Governor Sandoval and members of the Board. In consideration of your time I will give an overview of the proposed bond sale. We are proposing the bond sale take place at the end of October and close in November. There are new money components and refunding opportunities in eight different series of bonds, seven of which are before you. The 2011B series is a Colorado River Commission Bond for refunding which is not required to come before the Board of Finance. The Colorado River Commission approved the resolution to complete the refunding at their meeting on October 10, 2011. Of the proposed seven series before you, two are for new money, debt that isn't on the books now - 2011A and 2011F. The debt service for the 2011A bonds will be paid with property taxes. The \$29 million of new money in this series is for two different programs – about \$1.3 million for capital improvements from Public Works' 2009 authority and just over \$27 million from 2011 Legislative authority and Historic Preservation Cultural Affairs program will receive about \$490,000. These were built into our debt affordability study and were approved by the Governor and the Legislature as part of the Capital Improvement Plan. The other series are for refunding for savings. Due to historically low interest rates the State would like to take the opportunity to refund current debt at lower interest rates for overall savings to the State. They are divided into series based on program, whether they are subject to the Constitutional debt limit, and revenue sources used for debt service. With your approval, I would like to discuss each individual series.

Governor Sandoval: Please proceed Ms. Chatwood.

Agenda Item 1

Discussion and possible action on a resolution designated the "2011A Capital Improvement, Cultural Affairs and Refunding Bond Resolution"; authorizing the issuance and sale of the State of Nevada General Obligation (Limited Tax) Capital Improvement, Cultural Affairs and Refunding Bonds, Series 2011A in the maximum aggregate principal amount of \$150,000,000; providing the form, terms, and conditions of such bonds and other details in connection therewith; providing for the levy and collection of annual general (ad valorem) taxes for the payment of such bonds; and providing other related matters. Approval of the Board of Finance is required per NRS 349.225.

Lori Chatwood: First on your agenda is the 2011A bond which is the Capital Improvement Cultural Affairs refunding, which we just discussed. We are requesting you approve the resolution for this bond for a maximum amount of \$150 million. The recent movement in the bond market has resulted in fewer saving than anticipated, but with three weeks before the sale we are hopeful this trend will reverse.

Governor Sandoval: If the market isn't favorable when we go to market do we just leave things as they are?

Lori Chatwood: That is correct. We would continue with the debt as it is now and wait for an opportunity in the future.

Governor Sandoval: Would you have to come back to this Board if you didn't do it in the next few weeks and want to do it in the future or would this be a blanket approval for when the market is favorable?

Lori Chatwood: I don't know. I would defer to our bond counsel Jennifer Stern.

Jennifer Stern: What we would do is make sure that on the date of pricing is there is at least three percent present value in savings net of cost of issuance. If that were not the case then we would not go forward with the refinancing that doesn't need that threshold. As far as any of the bond resolutions that are combined with new money we would go ahead and issue the new money and so we would need to be able to come back to this Board in order to be able to issue additional refunding bonds under those bond resolutions. As to those that are just refundings we would not be issuing under those bond resolutions and we could potentially issue in this calendar year but if we did not price during this calendar year and close we would come back to this Board next year.

Governor Sandoval: Thank you.

Governor Sandoval: For the benefit of the Controller, the Treasurer is present. Madam Treasurer, we started three minutes ago and Mrs. Chatwood has given us a brief overview with regard to agenda items one through seven, and she just finished with the specifics of what is sought within agenda item one. I don't have any further questions. Please proceed with the next agenda item, please.

Agenda Item 2

Discussion and possible action on a resolution designated the "2011D Open Space, Parks and Cultural Resources Refunding Bond Resolution"; authorizing the issuance and sale of the State of Nevada General Obligation (Limited Tax) Open Space, Parks and Cultural Resources Refunding Bonds, Series 2011D in the maximum aggregate principal amount of \$50,000,000; providing the form, terms, and conditions of such bonds and other details in connection therewith; providing for the levy and collection of annual general (ad valorem) taxes for the payment of such bonds; and providing other related matters. Approval of the Board of Finance is required per NRS 349.225.

Lori Chatwood: Thank you. Agenda item number two is a straight refunding for our Q-1 program and is strictly for savings. All our refunding bonds are being utilized for savings across our entire debt portfolio. We are not extending the debt beyond its original amortization, but we are changing some of the structure to level debt service payments for debt portfolio as a whole due to the lower, slower growth environment of our property taxes. I would be happy to answer any questions on items one or two; if not I will go on to agenda item three.

Governor Sandoval: Do any of the board members have questions on agenda items one or two? (No questions were asked). Please proceed.

Agenda Item 3

Discussion and possible action on a resolution designated the "2011E Open Space, Parks and Natural Resources Refunding Bond Resolution"; authorizing the issuance and sale of the State of Nevada General Obligation (Limited Tax) Open Space, Parks and Natural Resources Refunding Bonds, Series 2011E in the maximum aggregate principal amount of \$30,000,000; providing the form, terms, and conditions of such bonds and other details in connection therewith; providing for the levy and collection of annual general (ad valorem) taxes for the payment of such bonds; and providing other related matters. Approval of the Board of Finance is required per NRS 349.225.

Lori Chatwood: Agenda item three is for refunding of debt for Open Space, Parks and Natural Resources. We're asking the flexibility for the maximum principal amount of \$30 million, again market sensitive as to which bonds shows savings at the time we go to market at the end month.

Agenda Item 4

Discussion and possible action on a resolution designated the "2011H Natural Resources Refunding Bond Resolution"; authorizing the issuance and sale of the State of Nevada General Obligation (Limited Tax) Natural Resources Refunding Bonds, Series 2011H in the maximum aggregate principal amount of \$35,000,000; providing the form, terms, and conditions of such bonds and other details in connection therewith; providing for the levy and collection of annual general (ad valorem) taxes for the payment of such bonds; and providing other related matters. Approval of the Board of Finance is required per NRS 349.225.

Lori Chatwood: Agenda item four is a full refunding, as well. This is for Natural Resource bonds with a maximum principal of \$35 million.

Agenda Item 5

Discussion and possible action on a resolution approving the issuance of the State of Nevada General Obligation (Limited Tax) Water Pollution Control Revolving Fund Leveraged Refunding Bonds, Series 2011C in the maximum aggregate principal amount of \$60,000,000 and the State of Nevada General Obligation (Limited Tax) Water Pollution Control Revolving Fund Matching Refunding Bonds, Series 2011G in the maximum aggregate principal amount of \$10,000,000. Approval of the Board of Finance is required per NRS 349.225.

Lori Chatwood: Agenda item five is for our State Revolving Fund for the Clean Water program. There are two series – C and G, both for refunding only. Again, dependent on market conditions which bonds show savings at that time, we're asking for a maximum amount of \$60 million.

Agenda Item 6

Discussion and possible action on a resolution approving the issuance of the State of Nevada General Obligation (Limited Tax) Safe Drinking Water Revolving Fund Matching Bonds, Series 2011F in the maximum aggregate principal amount of \$3,000,000. Approval of the Board of Finance is required per NRS 349.225.

Lori Chatwood: Agenda item number six is requesting new money for our Drinking Water Revolving Fund. They are asking for \$3 million for what we call match. The Revolving Fund program is funded approximately 80% from the federal government and 20% from the State. These funds are loaned to our municipalities and water districts, in this case for upgrade drinking water facilities. As loans are repaid a certain amount of it pays off our State's 20% match with the rest going for growth of the fund.

The last item on the agenda is the judicial confirmation. Would you rather we complete items one through six or continue on with agenda item seven?

Governor Sandoval: Let's finish the agenda and then I have some questions.

Agenda Item 7

Discussion and possible action on a resolution designated the "2011 Bond Bank Judicial Confirmation Resolution"; relating to the issuance of the State of Nevada General Obligation (Limited Tax) Bonds (Nevada Municipal Bond Bank); authorizing the State Treasurer to seek judicial confirmation of the bonds; and providing other related matters. Approval of the Board of Finance is required per NRS 350A.160.

Lori Chatwood: In agenda item number seven we are proposing going forward with the judicial confirmation for a sale for the Municipal Bond Bank that will take place in late winter or early spring, around March. The Municipal Bond Bank provides financial assistance to our municipalities. The State issues general obligation bonds, receiving the state's credit rating and the efficiencies of scale by issuing for multiple entities at one time. With these proceeds the State purchases municipal bonds, similar to a revolving fund. There is no cost to the state. The municipal governments pay us as bond holders for the bonds we purchase, which mirror the bonds the state issues, and we use these funds to pay our debt service. In order to do this NRS require that we receive judicial confirmation showing these are natural resource projects and therefore exempt from our statutory debt limit. This agenda item is asking for permission for our Deputy Attorney General, Blake Doerr, to seek judicial confirmation. I would be happy to answer any questions.

Governor Sandoval: With regard to agenda item one through six; do you have an estimate of what the savings would be if market conditions are favorable?

Lori Chatwood: As of this week the net present value savings overall will be between \$7 million and \$8 million. When we first submitted this packet to the Board of Finance the savings were estimated at \$12 to \$15 million. We have seen the market move ten to fifteen basis points in one week, but we could recapture that in the next two to three weeks before we go to sale. However, if our savings show further deterioration we may have to postpone the sale of these refunding funds.

Governor Sandoval: Is there a cost associated with doing the refunding?

Lori Chatwood: Yes, we will incur costs for bond counsel and financial advisors and other costs of issuance. If the refundings do not go forward any fees incurred for these bonds are not required to be paid. The new money issues will go forward in which we will pay cost of issuance fees.

Governor Sandoval: Assuming you receive approval, I would like to know if we went through with sale. I'm sure I can speak for the rest of the Board in that regard, we would like to be kept current as to what happens because it's still only a possibility now.

Lori Chatwood: Certainly. For your information, after the sale takes place we will bring to the Controller, the Attorney General, the Secretary of State, and to your office various documents that would need to be signed and approved, so you would know at that time that we went through with the sale and in what amounts. If you wanted us to come back and report to the entire Board of Finance on the sale we would be happy to do so.

Governor Sandoval: I don't know if we need to call a Board meeting, but just a short memo outlining what the terms were and what the final outcome was.

Treasurer Marshall: Right now you're seeing an incredible number of states and municipalities issuing debt as they are trying to take advantage of the current market. If on the day we choose to go to market there are a lot of other state and municipalities going to market

that makes it worse for us. We don't want to go to market the day California goes to market; they are too big and would overwhelm us. At the very moment we're in the market, if we're seeing the numbers not come up well we'll pull it. It's all a moving target.

Governor Sandoval: I understand that part and obviously you have complete discretion and will do what's in the best interest of the state, but it's helpful to know how we landed and it's a tremendous savings any time we can take an opportunity to refinance and provide savings we should take advantage of that. Do any other board members have questions on any agenda item? If there are no questions, before I accept a motion I am required to accept public comments before action is taken. Is there any member of the public present in Carson City that would like to provide comment to this Board of Finance? Is there anyone in Las Vegas that would like to provide public comment? Hearing none, I do not have any problems with any items on the agenda. Ms. Chatwood, I appreciate your very thorough explanation and the quality of the briefing book that was provided to each of the members. Mr. attorney general is it appropriate to take a block motion or do I need to take them separately?

Blake Doerr: You can accept a block motion.

Governor Sandoval: The Chair will accept a motion for approval of agenda items one through seven as recommended and provided within our packets.

Dave Funk moves to approve
Steve Martin seconds the motion
No further discussion
All members vote in favor-motion passes

Governor Sandoval: We do have another provision for board member comments within the agenda. Are there any board member comments? Hearing none, I also call for one more opportunity for public comment either in Carson City or in Las Vegas. Hearing no public comments I will accept a motion for adjournment.

Treasurer Marshall moves to adjourn
Controller Wallin seconds the motion
All members vote in favor –motion passes to adjourn